



Overall, King County Wastewater Treatment Division's (WTD's) Productivity Initiative achieved efficiencies and cost savings but as the ten-year effort progressed, it was less successful in sustaining performance on goals related to quality, customer service, and employee management. Much of the cost savings were salary related which raise questions about what should be considered and counted as savings and whether the Program should differentiate between cost containment versus productivity savings.

WTD's Productivity Initiative is a ten-year program (2001–2011) designed to adopt private sector practices while still providing high quality treatment facilities at reduced costs. Savings from the initiative were designed to be shared equally between employees and ratepayers.

Ordinance 14941 required an independent review of the Productivity Initiative before it expires in April 2011. FCS GROUP performed this independent review of the operational component of the initiative under the direction of the King County Auditor's Office with input from WTD.

Background

The purpose of the Productivity Initiative was to adopt private sector models to improve the management and efficiency of the utility. It provided savings to the public through a gain sharing type program which offered financial incentives to employees to identify cost savings which were shared equally with ratepayers.

Assessment Objectives

1. How effective has the operational component of the Program been compared to the initial goals and objectives and the operational cost savings and efficiencies achieved to date?
2. How effective has WTD been in applying private-sector business and wastewater industry best practices to improve the management and operations of the utility?
3. Has WTD's internal assessment of the Program been objective and accurate?
4. Has the use of the employee incentive funds been consistent with Ordinance 14941?

Assessment Observations and Conclusions

WTD's productivity initiative initially achieved greater efficiencies and cost savings, but as the ten-year effort progressed, it was less successful in sustaining performance on goals related to quality, customer service, and employee management. WTD has implemented many cost saving practices and ideas, some of which were innovative or best practices, but many were ones that could be expected from an organization focused on continuous improvement and

efficiency. Compared to peer agencies, WTD's costs per million gallons treated was initially high but has improved relative to its peer agencies since 2001.

Most of the savings to meet the operating target have been from salary savings. However, these are not long-term productivity savings but represent a cost containment measure used to help WTD meet its target. There are now very few cost increases that are considered to be within WTD's control except for the original baseline costs in 2001. After ten years of program implementation, these issues raise questions about what should be considered and counted as savings and whether such savings are sustainable over a ten-year period.

FCS GROUP's assessment of the productivity initiative agreed with WTD's internal assessment in a number of areas but differed over whether WTD met selected measures related to permit compliance, customer focus, and employee management. Overall, employee incentive funds were used appropriately.

Executive Response

In commenting on the report, the King County Executive stated the review will be useful in developing recommendations for a potential new productivity program. He also provided comments on several observations and conclusions, especially related to WTD's efforts to control operational costs and achieve balanced scorecard goals during the latter years of the initiative.